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National Intelligence Bulletin

July 14, 1975

C O N T E N T S



25X1

PORTUGAL: Aftermath of Socialists' withdrawal from coalition	3
GREECE: Papandreou suffers another political setback	4
CYPRUS: Communal tensions likely to increase this week	5
ISRAEL-LEBANON: Suspected Arab guerrilla base hit	6



25X1

PHILIPPINES-USSR: Marcos decides to visit Moscow	7
KOREA: South Korean shore battery fires at North Korean fishing boats	9

25X1

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Next 2 Page(s) In Document Exempt

Approved For Release 2007/03/06 : CIA-RDP79T00975A027900010022-8

National Intelligence Bulletin

July 14, 1975

PORTUGAL

The Portuguese Revolutionary Council accepted the Socialist Party's withdrawal from the coalition government, following an all-night session on Friday. It called on Prime Minister Goncalves to replace the Socialists as soon as possible with individuals who will "place national interest above party interest."

Portuguese troops were on stand-by alert Saturday to guard against what the Revolutionary Council called the possible exploitation of the Socialist walkout by "reactionary forces." The alert—lifted yesterday—did not affect a demonstration in northern Portugal by 10,000 Catholics protesting the military government's refusal to force leftist workers to give up the church-owned radio station.

Goncalves canceled his plans to attend the independence ceremonies of the African islands of Sao Tome and Principe over the weekend. He presumably chose to work on selecting military replacements for the justice minister and the five Socialist secretaries of state. Press reports indicate that Socialist leader Soares' post as minister without portfolio will be abolished.

The Socialists do not appear to have decided how to follow up on their withdrawal from the government. Soares has promised to hold a press conference this week to announce the party leaders' decisions. The Socialists' course of action will be determined in part by whether the center-left Popular Democrats follow them out of the government. Popular Democratic leader Guerreiro has told President Costa Gomes that his party's decision will depend on the Armed Forces Movement's response to a series of party demands: guarantees for a free press; a pledge not to dissolve the constituent assembly; a solution to the "crisis of authority" in the Portuguese government; prompt municipal and trade union elections; and adoption of urgent economic measures. Costa Gomes is to respond on Wednesday.

The Communists, meanwhile, are calling the Socialist withdrawal a divisive action intended to "set up a new coalition of right-wing forces." One party allied with the Communists has called for dissolution of the constituent assembly.

National Intelligence Bulletin

July 14, 1975

GREECE

The political career of Greek leftist Andreas Papandreou is being dealt another setback as his party begins to fragment. The cause of the split appears to be the preference of Papandreou's opponents in the party for a social democratic party; Papandreou favors a more radical party.

Papandreou, who gained majority control of the party only in March, has been unable to silence a vocal minority. His opponents have charged that he uses dictatorial methods and is attempting to transform the party into a personal vehicle. In June, Papandreou responded by expelling 11 of the 75 Central Committee members, charging that they were trying to steer the party away from its socialist origins.

The crisis within the party heightened when 37 prominent party members, including Melina Mercouri and Lady Amalia Fleming, resigned or were expelled. Papandreou then dissolved the entire Central Committee and on July 5 embarked on a "grass roots" tour aimed at revitalizing the movement.

Papandreou's difficulties in the party have tarnished his public reputation and have probably hurt his party's prospects, at least in the short run.

25X1

25X1

National Intelligence Bulletin

July 14, 1975

CYPRUS

Tensions on Cyprus, already high, are likely to increase when the two ethnic communities mark the first anniversary of the coup against Makarios on July 15 and the Turkish invasion five days later. Officials on both sides intend to take precautionary measures to avoid major violence, but some disturbances are likely and could escalate into more serious incidents.

Greek Cypriots are planning an "international solidarity week" that will be marked by a general work stoppage and mass gatherings throughout their zone on July 15, culminating in a mass demonstration in Nicosia on July 20. Leftist and other pro-Makarios groups have reportedly mobilized for activities of their own, and this has prompted the far right to do the same.

While there is no information that either side intends to initiate violence, Makarios reportedly is concerned that a mishap or independent action by radical fringe elements could spark violence and reprisals. Foreign missions in Nicosia, for instance, could become targets for demonstrators. The US embassy in Nicosia has already been informed [redacted] that a demonstration will take place in front of the embassy this week.

The Turkish Cypriots are planning their own demonstration on July 20 to celebrate the arrival of the Turkish forces. They will also be watching with concern the activities in the Greek Cypriot zone and will be particularly anxious about the safety of their 8,000 kinsmen remaining in the south.

The probability is high that more than the usual scattered firing incidents and insults exchanged along the cease-fire line will take place this week, but neither side appears to be contemplating a major offensive. Greek Cypriots do not have the capability for such action and the Turks do not have the desire, although large-scale attacks against their kinsmen in the south could prompt the Turkish forces to advance into the Greek Cypriot zone. Greek Cypriot officials recognize this danger and are likely to take the necessary measures to protect the Turkish Cypriots in the south.

Both sides will probably place their forces on alert as a precautionary measure. Turkish Cypriot forces have already been placed on a low-level alert. [redacted]

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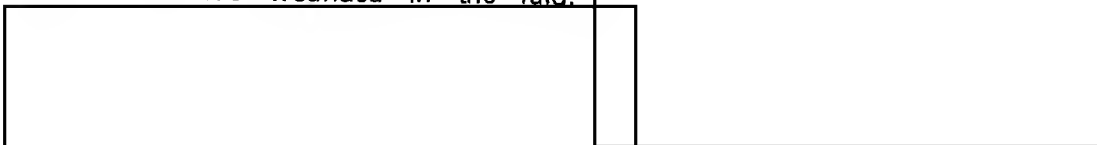
National Intelligence Bulletin

July 14, 1975

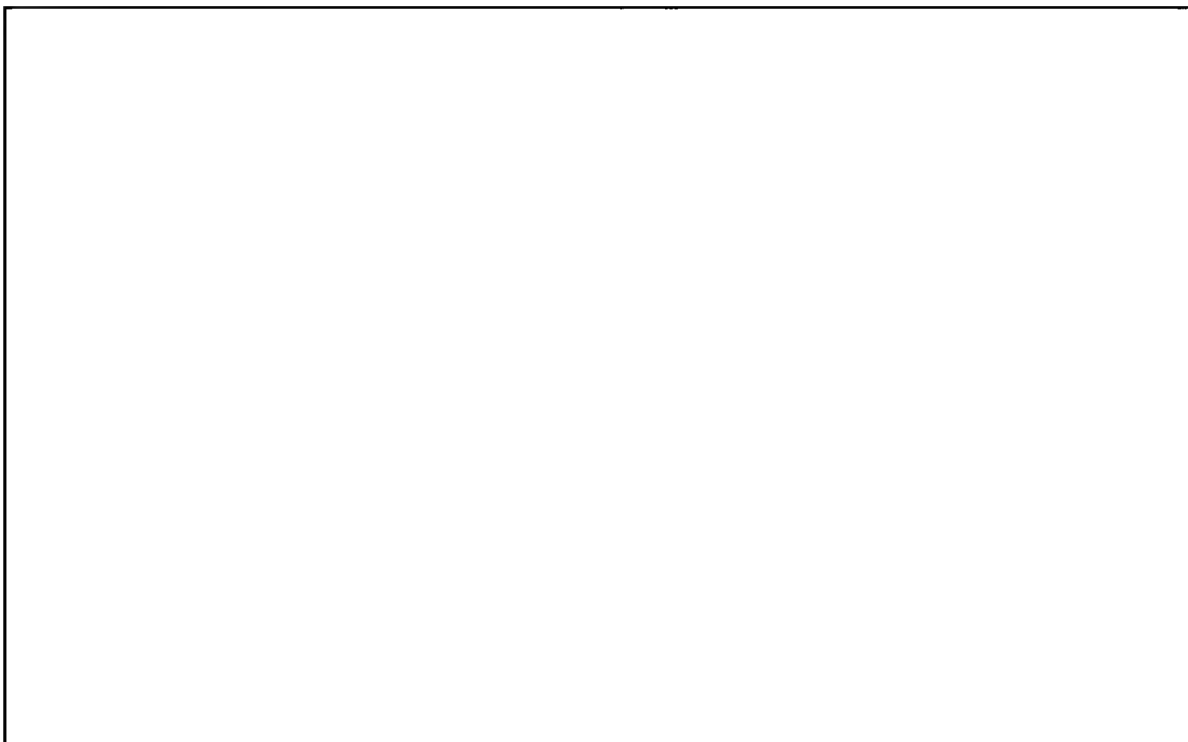
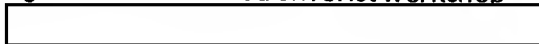
ISRAEL-LEBANON

Israeli aircraft yesterday attacked a fedayeen base near the coastal city of Sidon in southern Lebanon. The base, which has been attacked previously, is in or near Ayn al Hilweh, the largest Palestinian camp in Lebanon. This was the second raid on guerrilla bases in Lebanon since the terrorist bombing ten days ago that killed 14 people in Jerusalem.

Preliminary press reports indicate at least four persons were killed and more than 20 were wounded in the raid.



An Israeli spokesman stated that the target of the raid was a terrorist workshop near Sidon that was producing war materiel.



National Intelligence Bulletin

July 14, 1975

PHILIPPINES-USSR

President Marcos has decided to follow up his successful diplomatic mission to Peking with a trip to Moscow in late August.

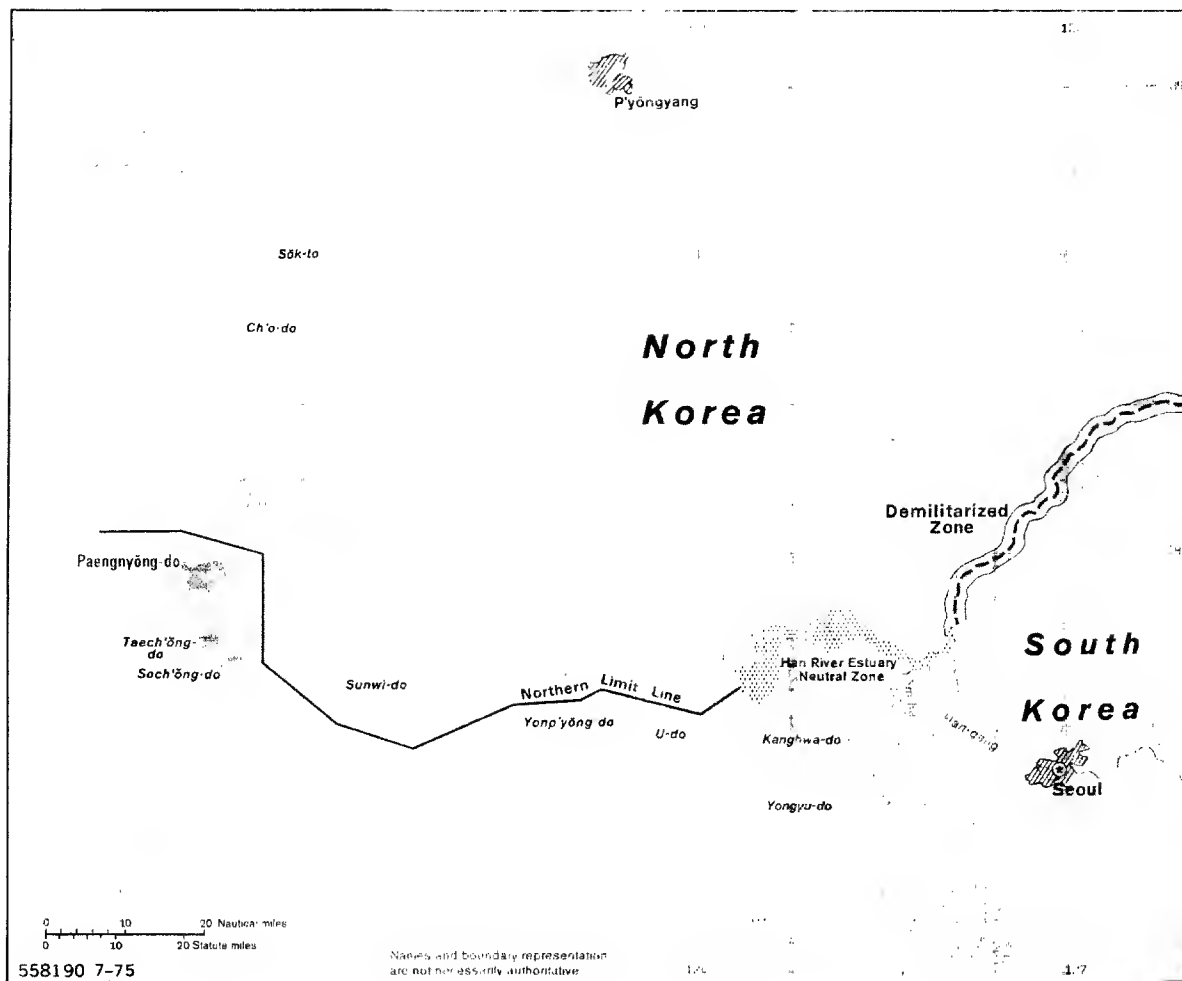
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Marcos said some time ago that recognition of the Soviet Union and China would be virtually simultaneous, and the Soviets reportedly have been pressing him to keep to this announced timetable. Most of the preliminary discussions for diplomatic ties with Moscow were completed over a year ago, but Marcos delayed taking the final step until he had things wrapped up with Peking.

The proposed Soviet-Philippine trade agreement, which will be an important part of the arrangements for recognition, is likely to cause some difficulties for both sides. Negotiations on a trade pact have been under way for over two years but have been stalled by disagreements over most-favored-nation status, the channels for handling the trade, and the status of trade representatives to be assigned. The most recent Philippine draft evidently is more restrictive than the agreement Manila recently signed with Peking. Moscow is likely to hold out for equal treatment. A Philippine trade mission left for Moscow on Thursday, and a Soviet team is scheduled to arrive in Manila soon.

Marcos probably assumes—and correctly so—that Moscow is eager to improve relations with local governments and to counter recent Chinese public warnings to visiting Southeast Asian leaders about Soviet intentions in the area. Marcos will therefore try to drive a hard trade bargain with the Soviets.

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National Intelligence Bulletin

July 14, 1975

KOREA

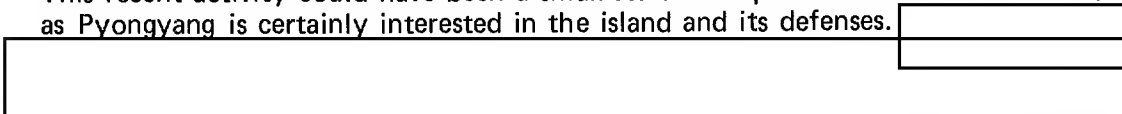
A South Korean shore battery on July 11 fired warning shots at North Korean fishing boats operating in the Yellow Sea. An announcement by the Defense Ministry in Seoul stated that a fishing boat approached to within two miles of the island of Paengnyong-do before the shots were fired.

The announcement claimed that five Northern gunboats escorted the fishing boat away from the island. Seoul termed the activity a deliberate attempt by Pyongyang to test South Korean alertness in the area, and plans to lodge a protest with the Military Armistice Commission.



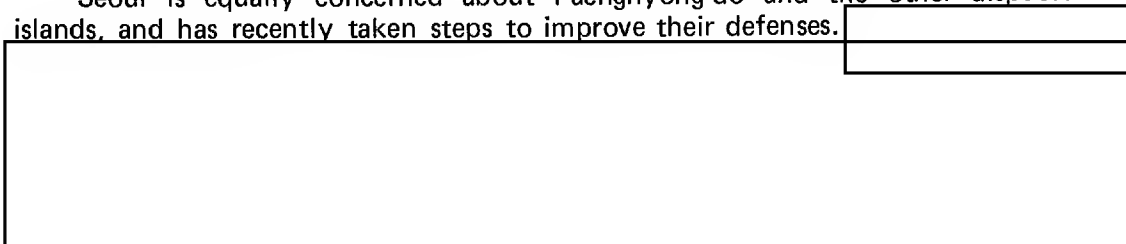
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North Korean fishing boats generally do not approach close to Paengnyong-do; the major fishing areas in the Yellow Sea are to the north, west, and southeast of it. This recent activity could have been a small-scale attempt to reconnoiter the island, as Pyongyang is certainly interested in the island and its defenses.



25X1

Seoul is equally concerned about Paengnyong-do and the other disputed islands, and has recently taken steps to improve their defenses.



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